

## Message Text

UNCLASSIFIED

PAGE 01 WELLIN 01884 192255Z  
ACTION EB-07

INFO OCT-01 EUR-12 EA-09 ISO-00 AID-05 CIAE-00 COME-00  
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04  
OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05  
SS-15 STR-04 CEA-01 /102 W  
-----200314Z 093190/14

R 190522Z MAY 77  
FM AMEMBASSY WELLINGTON  
TO SECSTATE WASHDC 3231  
INFO USMISSION OECD PARIS

UNCLAS WELLINGTON 1884

E.O. 11652: N/A  
TAGS: ECON, EFIN, NZ  
SUBJECT: GOVERNMENT DEFICIT IS CUT

1. THE LATEST FIGURES ON THE GOVERNMENT BUDGET FOR THE FISCAL YEAR ENDING MARCH 1977 PUT THE DEFICIT AT \$506 MILLION. THIS IS MUCH SMALLER THAN ORIGINALLY CALCULATED. FOR FY 1976 IT WAS \$1,002 MILLION.

2. GOVERNMENT SPENDING IN FY 1977 ROSE ONLY 2.7 PERCENT TO \$4,506 MILLION (VS AN AVERAGE OF 26 PERCENT INCREASE OVER THE PRECEDING THREE YEARS).

3. GOVERNMENT REVENUE ROSE 18.2 PERCENT TO \$4,000 MILLION.

INCOME TAXES CONTRIBUTED THE LION'S SHARE OF THIS (\$2,829 MILLION), UP 23.2 PERCENT OVER FY 1976. INDIRECT TAXES INCREASED 14.3 PERCENT TO \$1,016 MILLION.

4. COMMENT: THE INCREASE IN INCOME TAX RETURNS WAS BOTH PLEASING AND "DISTURBING" TO THE GOVERNMENT. THESE WERE MAINLY RESPONSIBLE FOR THE GREATER REDUCTION IN THE UNCLASSIFIED

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GOVERNMENT DEFICIT THAN ANTICIPATED. THIS REDUCTION IN THE DEFICIT HELPED TO REDUCE PRESSURE ON INFLATION. BUT THE LARGER INCOME TAX TAKE MEANT WAGES AND SALARIES HAD RISEN MORE THAN ANTICIPATED. THIS WAS DISTURBING, ACCORDING TO THE PRIME MINISTER. THE OPPOSITION ATTACKED THE GREAT INCREASE IN TOTAL INCOME TAXES AS PROOF OF THE DISREGARD OF THE NATIONAL GOVERNMENT FOR THE AVERAGE

WAGE EARNER WHO IS "LOSING OUT" IN THE PRICE-WAGE-INCOME TAX SPIRAL. THE GROWING INCOME TAX TAKE LOOKS TO BE AN ISSUE IN THE NEXT GENERAL ELECTIONS. THE OPPOSITION HAS ANNOUNCED THAT IT WILL PRESENT A PLAN TO REDUCE THE INCOME TAX BURDEN ON THE MIDDLE AND LOWER WAGE EARNER BEFORE THE NEXT ELECTIONS.

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## Message Attributes

**Automatic Decaptoning:** X  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT BUDGET, DATA  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
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**Disposition History:** n/a  
**Disposition Reason:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**TAGS:** ECON, EFIN, NZ  
**To:** STATE  
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**Review Markings:**  
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